

**Before the
Public Service Commission of South Carolina
Docket No. 2013-4-G**

**Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies
of
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits
of
Robert L. Thornton**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



June 4, 2013

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**
5 **Natural Gas Company?**

6 A. I am employed as Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I
9 was employed by Duke Power Company as a staff accountant. In 1990 I was
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was
11 employed by Public Service Company of North Carolina, Inc. ("PSNC"), as a
12 Senior Financial Accountant and was promoted to Director – Investor Relations
13 and Financial Projects in 1998. After PSNC was acquired by SCANA
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in
19 February 2008.

20 **Q. Please describe your responsibilities as Director of Gas and Regulatory**
21 **Accounting.**

22 A. My responsibilities include: recording the cost of gas on Piedmont's books,
23 maintaining a proper match of revenues and cost of gas in Piedmont's income

1 statements, recording Piedmont's margin in accordance with regulatory
2 requirements in each of the three state jurisdictions in which Piedmont
3 operates, verifying volumes and prices on all invoices relating to the purchase
4 and transportation of natural gas, and recording gas inventory accounts and
5 deferred accounts. I am also responsible for the middle office functions related
6 to daily reconciliation of purchases and sales of gas as well as the experimental
7 hedging program implemented in South Carolina pursuant to Commission
8 Order No. 2002-223 dated March 26, 2002.

9 **Q. Have you previously testified before this Commission or any other**
10 **regulatory authority?**

11 A. Yes. I have previously testified before the Public Service Commission of South
12 Carolina and the North Carolina Utilities Commission on several occasions.

13 **Q. What is the purpose of your testimony in this proceeding?**

14 A. The purpose of my testimony in this proceeding is to report to the Commission
15 Piedmont's end-of-period balances in and accounting for its deferred gas costs
16 accounts in order to permit the Commission to determine that Piedmont's true-
17 up procedures for the review period have resulted in a properly stated cost of
18 gas and that Piedmont's gas costs are properly recorded in compliance with
19 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

20 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for its**
21 **cost of gas for the review period in this proceeding?**

1 A. Yes. The Commission has previously ordered the Company to maintain an
2 account reflecting its gas costs each month, the amount of gas costs recovered
3 each month, and amounts deferred each month. The audit staff of the ORS has
4 conducted a detailed audit and review of the review period activity in that
5 account, as well as the detailed data supporting the accounting entries to that
6 account. A summary of the review period activity in that account is attached
7 hereto as Exhibit__(RLT-1).

8 **Q. Does the Company also maintain a hedging deferred account?**

9 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural
10 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant
11 to this program, Piedmont maintains a Hedging Deferred Account in which it
12 records the results of its hedging activities undertaken in accordance with its
13 hedging plan. The audit staff of the Office of Regulatory Staff has also
14 conducted a detailed review of the activity in this account and the detailed
15 accounting data supporting that activity. A summary of the review period
16 activity in Piedmont's Hedging Deferred Account is attached hereto as
17 Exhibit__(RLT-2).

18 **Q. Does this conclude your testimony?**

19 A. Yes.

EXHIBIT_(RLT-1)

Piedmont Natural Gas Co., Inc. - South Carolina
Gas Cost Deferred Account Activity
Annual Prudence Review - Docket No. 2013-4-G
12 Months Ended March 31, 2013
Debits (Credits)

Exhibit__(RLT-1)

Reporting Month ==>	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	
Gas Flow Month ==>	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Totals
Beginning Balance	482,131.24	1,305,702.56	2,127,552.87	3,337,747.25	4,523,641.81	5,392,045.86	6,710,944.32	7,638,812.36	6,263,560.74	5,732,658.84	3,134,248.50	3,771,825.98	
Billed vs. Filed Commodity True - Up	37,309.65	(97,813.02)	20,329.20	117,740.20	(105,427.49)	378,982.72	402,241.34	(429,376.68)	(172,294.10)	(857,490.29)	2,224,735.14	1,465,233.46	2,984,170.13
Demand True-Up	894,940.49	1,134,351.65	1,421,431.27	1,314,508.79	1,179,952.95	1,238,504.63	815,539.28	(574,998.00)	(794,419.30)	(1,951,964.21)	(1,745,467.30)	(1,233,551.83)	1,698,828.42
Negotiated Losses	14,018.07	15,836.24	13,884.11	13,718.18	13,443.20	21,397.52	22,935.75	48,948.76	72,681.53	120,896.23	82,966.69	88,003.55	528,729.83
Capacity Release Credits	(258,796.02)	(261,528.03)	(260,163.34)	(261,249.15)	(269,876.12)	(264,933.30)	(272,551.19)	(174,982.97)	(168,424.33)	(201,859.29)	(198,444.66)	(195,817.30)	(2,788,625.70)
SC Portion of Off System Sales Revenue	(849,276.62)	(1,241,276.61)	(1,058,042.32)	(2,420,125.53)	(1,073,418.46)	(1,450,034.74)	(1,024,420.97)	(2,701,972.26)	(2,199,472.55)	(3,105,112.35)	(2,888,758.32)	(2,803,358.64)	(22,815,269.37)
SC Portion of Off System Sales Costs	821,215.99	1,183,549.87	1,016,680.22	2,335,522.68	1,050,428.02	1,373,940.05	932,917.30	2,628,161.18	2,065,063.91	2,267,230.85	2,648,818.09	2,669,785.55	20,993,313.71
WNA	(1,882.61)	(852.59)	252.15	689.37	176.27	17.96	(58.26)	(209,104.55)	626,229.70	1,096,817.91	813,710.86	(1,058,112.44)	1,267,883.77
Supplier Refunds	(4,473.16)	-	(399.25)	-	(10,572.26)	-	-	-	-	(0.95)	(333,634.13)	-	(349,079.75)
SC - Uncollectibles	(115.56)	42,826.60	50,162.95	34,523.97	18,942.04	9,472.76	(12,546.89)	(7,504.79)	(198.49)	(3,227.96)	(2,161.62)	10,516.03	140,689.04
Monthly Hedging Transfer	168,720.90	43,569.10	804.10	43,569.10	55,633.60	13.60	49,870.10	32,498.60	27,902.60	26,567.90	28,514.40	52,612.90	530,276.90
Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance Before Interest	1,303,792.37	2,124,365.77	3,332,491.96	4,516,644.86	5,382,923.56	6,699,407.06	7,624,870.78	6,250,481.65	5,720,629.71	3,124,516.68	3,764,527.65	2,767,137.26	
Interest	1,910.19	3,187.10	5,255.29	6,996.95	9,122.30	11,537.26	13,941.58	13,079.09	12,029.13	9,731.82	7,298.33	6,811.42	100,900.46
Ending Balance	1,305,702.56	2,127,552.87	3,337,747.25	4,523,641.81	5,392,045.86	6,710,944.32	7,638,812.36	6,263,560.74	5,732,658.84	3,134,248.50	3,771,825.98	2,773,948.68	
Monthly Interest Rate	2.567%	2.230%	2.310%	2.138%	2.210%	2.290%	2.334%	2.260%	2.409%	2.637%	2.539%	2.500%	

EXHIBIT__ (RLT-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Account Activity
Annual Prudence Review - Docket No. 2013-4-G
12 Months Ended March 31, 2013
Debits (Credits)

Exhibit__ (RLT-2)

	# of Contracts Executed / Exercised	Beginning Balance	Net Options Premium	Fees 1	Margin Requirement (P&L Cash Act)	Consultant Fees	Proceeds from Positions	Fees 2	Interest from Brokerage Account	Other Monthly Fee	Monthly Gain / Loss Transfer
Apr-12	127	\$ -	165,950.00	1,968.50	-	790.50	-	-	-	11.90	168,720.90
May-12	30	\$ -	42,300.00	465.00	-	790.50	-	-	-	13.60	43,569.10
Jun-12	0	\$ -	-	-	-	790.50	-	-	-	13.60	804.10
Jul-12	30	\$ -	42,300.00	465.00	-	790.50	-	-	-	13.60	43,569.10
Aug-12	38	\$ -	53,450.00	589.00	-	1,581.00	-	-	-	13.60	55,633.60
Sep-12	0	\$ -	-	-	-	-	-	-	-	13.60	13.60
Oct-12	32	\$ -	48,570.00	496.00	-	790.50	-	-	-	13.60	49,870.10
Nov-12	19	\$ -	31,400.00	294.50	-	790.50	-	-	-	13.60	32,498.60
Dec-12	16	\$ -	26,060.00	248.00	-	1,581.00	-	-	-	13.60	27,902.60
Jan-13	17	\$ -	26,290.00	263.50	-	-	-	-	-	14.40	26,567.90
Feb-13	18	\$ -	26,640.00	279.00	-	1,581.00	-	-	-	14.40	28,514.40
Mar-13	36	\$ -	51,250.00	558.00	-	790.50	-	-	-	14.40	52,612.90
Activity Totals			514,210.00	5,626.50	-	10,276.50	-	-	-	163.90	530,276.90

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents are being served this date via email and UPS Overnight (via email and U.P.S. Overnight) upon:

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And that a copy of the attached documents are being served this date via email and U.S. Mail upon:

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This the 4th day of June, 2013.

s/ James H. Jeffries IV
James H. Jeffries IV